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DE RUEHGO #0198/01 0770102  
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FM AMEMBASSY RANGOON  
TO RUEHC/SECSTATE WASHDC 7303  
RUCNASE/ASEAN MEMBER COLLECTIVE  
RUEHBJ/AMEMBASSY BEIJING 1787  
RUEHBY/AMEMBASSY CANBERRA 1002  
RUEHKA/AMEMBASSY DHAKA 4799  
RUEHNE/AMEMBASSY NEW DELHI 4554  
RUEHUL/AMEMBASSY SEOUL 8093  
RUEHKO/AMEMBASSY TOKYO 5654  
RUEHVI/AMEMBASSY VIENNA 0116  
RUEHCN/AMCONSUL CHENGDU 1393  
RUEHCHI/AMCONSUL CHIANG MAI 1464  
RUEHCI/AMCONSUL KOLKATA 0251  
RUEAUSA/DEPT OF HHS WASHDC  
RUEHRC/DEPT OF AGRICULTURE WASHINGTON DC  
RHHMUNA/CDR USPACOM HONOLULU HI  
RUEHPPH/CDC ATLANTA GA  
RUCLRFA/USDA WASHDC  
RUEHRC/USDA FAS WASHDC  
RHEHNSC/NSC WASHDC  
RUEKJCS/SECDEF WASHDC  
RUEKJCS/JOINT STAFF WASHDC

UNCLAS SECTION 01 OF 03 RANGOON 000198

SIPDIS

SENSITIVE  
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DEPT FOR EAP/MLS, EEB/IFD  
TREASURY FOR OASIA:SCHUN  
PACOM FOR FPA

E.O. 12958:N/A  
TAGS: [ECON](#) [EFIN](#) [ETRD](#) [PREL](#) [BM](#)  
SUBJECT: GOB ENCOURAGES USE OF SINGAPORE DOLLARS

REF: Rangoon 197

RANGOON 00000198 001.2 OF 003

¶1. (SBU) Summary. In a change to its banking policy, the Burmese Government now permits private companies with foreign export earnings to open Singapore dollar-denominated bank accounts in three state-owned banks -- Myanmar Foreign Trade Bank, Myanmar Investment and Commercial Bank, and Myanmar Economic Bank. According to bankers, the availability of Singapore dollar accounts encourages increased trade between Burma and Singapore because companies will no longer lose profits when they change Singapore dollar earnings into U.S. dollars before depositing them in a Burmese bank. Additionally, by using Singapore dollars, the regime can better circumvent U.S. sanctions and ensure that financial transactions are not frozen. In the past month, several large trading companies opened Singapore dollar accounts, although most private companies prefer to conduct transactions in U.S. dollars because foreign partners still use dollars. End Summary.

Deemphasizing US Dollars

¶2. (SBU) Although the official currencies of Burma are the kyat and the FEC (Foreign Exchange Currency) and Burmese law makes it illegal for Burmese citizens to hold foreign currency, the dollar is widely used in country for everyday financial transactions. Foreign-owned companies, including restaurants and hotels, price goods in dollars, and many Burmese-owned businesses accept dollars in lieu of kyat or FEC. Since U.S. financial sanctions on Burma went into effect in 2004, the Burmese Government has attempted to reduce the influence and widespread use of the U.S. dollar. In 2005, it passed a regulation allowing private companies to use the Euro and other foreign currencies for trading and financial transactions. However,

companies with foreign export earnings could only open Euro or U.S. dollar denominated accounts, limiting the use of Singapore dollars, Chinese yuan, or Thai baht in trade transactions.

#### Sanctions Disrupting Business Flows

13. (SBU) Because Burma's internal policies were not conducive to trade in non-U.S. dollar denominations, business contacts estimated that despite the 2005 regulation, more than 90 percent of businesses in Burma maintain U.S. dollar accounts rather than Euro accounts at the Myanmar Foreign Trade Bank (MFTB), one of four state-owned banks that may hold foreign exchange (Reftel). For years, international trading companies have complained that U.S. financial sanctions make doing business in Burma more difficult -- because U.S. dollars cannot be transferred directly to Burmese bank accounts, businesses had to open accounts in Singapore to make financial transactions. According to Kanbawza Bank Consultant U Than Lwin, companies pay heavily for the Singapore bank accounts, since they must hold Singapore dollars and change them into U.S. dollars at the official rate or bank rate for each transaction, as well as pay a hefty exchange fee. Depending on the amount of each transaction, a company can lose thousands of dollars in exchange fees and currency price difference, he noted.

14. (SBU) The government's recent announcement permitting companies with foreign exchange earnings to open Singapore dollar-denominated accounts addresses business complaints, U Than Lwin declared. Since businesses can now transfer Singapore dollars directly to MFTB without changing them to U.S. dollars or Euros, they save on the exchange fees, he explained. Although the government provided no justification for its recent policy change, U Than Lwin commented that in addition to making it easier for businesses to trade with Singapore, it may reduce the amount of U.S. dollars entering Burma and perhaps the overall use of dollars. Additionally, the policy is

RANGOON 00000198 002.2 OF 003

another way for the government to circumvent U.S. sanctions, showing that it does not need to use U.S. dollars to trade internationally.

#### Encouraging Trade With Singapore

15. (SBU) Singapore is Burma's largest trade partner, accounting for 29 percent of imports and 6 percent of exports in 2007. Burma primarily imports finished products from Singapore, such as food products, chemicals, and machine parts, while it exports commodities, particularly agricultural products, to the island-nation. While trade between the two countries has increased in the past five years, Burma continues to have a large trade deficit with Singapore, worth \$464 million in 2007.

Burma Trade with Singapore, 2005-2007  
In U.S. Dollars

Year	Imports From Spre	Percent Change	Exports to Spre	Percent Change
2005	602,985,615	--	257,662,576	--
2006	813,883,761	34.97	189,946,153	26.28
2007	811,293,513	- 0.32	347,141,440	82.76

Source: BIG, 2008

16. (SBU) According to businessmen, the Burmese Government continues to encourage trade with Singapore and the new banking policy reinforces how important trade with Singapore is to Burma. In the past month, several large trading companies, including Htoo Trading, have opened Singapore dollar accounts and have begun trading using Singapore dollars instead of U.S. dollars. However, many of the businessmen we spoke to said that companies in Burma prefer to use the U.S. dollar for international transactions because their trading partners, particularly the Chinese, Japanese, and Koreans, price in U.S. dollars and have mechanisms to accept U.S.

dollars rather than other foreign currencies. U Than Lwin opined that companies such as City Mart (Burma's largest grocery store), which does the majority of its business with Singaporean companies, may open up Singapore dollar accounts, but companies that deal with multiple international partners may stay with U.S. dollar accounts.

¶7. (SBU) Another barrier to opening Singapore dollar-denominated accounts is that there is a nascent informal exchange market for Singapore dollars in Burma. MFTB will exchange Singapore dollars for kyat at the official rate of 3.83 kyat per 1 Singapore dollar. Only a few local money traders will accept Singapore dollars and sell kyat for 800 kyat for 1 Singapore dollar. We know several businessmen who engage in arbitrage, selling Singapore dollars for U.S. dollars at the rate of 1.25 Singapore dollars per \$1 and then purchasing kyat at the market rate of 1100 kyat per \$1. As the market for Singapore dollars expands, businessmen predict that financially savvy Burmese will attempt to make a profit on the foreign exchange market.

Comment

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¶8. (SBU) Despite GOB efforts to encourage the use of Singapore dollars, the U.S. dollar remains king in Burma. If the U.S. dollar continues to depreciate against world currencies, more businessmen may turn to alternate currencies, although they are more likely to choose the Euro over the Singapore dollar. Businessmen in general

RANGOON 00000198 003.2 OF 003

are not interested in dealing with niche currencies and prefer to use the U.S. dollar, since it is the most widely accepted currency. Those businessmen looking to avoid U.S. sanctions, like Tay Za or even the senior generals, may opt for the Singapore dollar, but the majority of Burmese still prefer the greenback.

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